

BANK INDONESIA REGULATION  
NUMBER 9/7/PBI/2007

CONCERNING

AMENDMENT TO BANK INDONESIA REGULATION NUMBER  
8/3/PBI/2006 CONCERNING CONVERSION OF BUSINESS OF  
CONVENTIONAL COMMERCIAL BANKS TO COMMERCIAL BANKS  
CONDUCTING BUSINESS BASED ON SHARIA PRINCIPLES AND  
ESTABLISHMENT OF BANK OFFICES CONDUCTING BUSINESS BASED  
ON SHARIA PRINCIPLES BY CONVENTIONAL COMMERCIAL BANKS

WITH THE BLESSING OF ONE GOD,

THE GOVERNOR OF BANK INDONESIA,

- Considering :
- a. whereas in an effort to increased the role of conventional commercial banks conducting business based on sharia principles through the expansion of sharia banking transaction networks that are capable of wider public reach;
  - b. whereas in an effort to optimize the presence of existing Sharia Services at conventional commercial banks conducting business based on sharia principles through the expansion of the functions of Sharia Services;
  - c. whereas the implementation of the expansion of the network and functions of Sharia Services is expected to further increase the intermediation function and promote the growth of the sharia banking industry, while continuing to take into consideration of prudential and sharia principles.

- d. whereas pursuant to the considerations set forth in letters a through c above, it is necessary to amend the Bank Indonesia Regulation concerning Conversion of Business of Conventional Commercial Banks to Commercial Banks Conducting Business Based on Sharia Principles and Establishment of Bank Offices Conducting Business Based on Sharia Principles By Conventional Commercial Banks.

- In View of:
1. Act Number 7 of 1992 concerning Banking (State Gazette of the Republic of Indonesia Number 31 of 1992, Supplement to State Gazette of the Republic of Indonesia Number 3472) as amended by Act Number 10 of 1998 (State Gazette of the Republic of Indonesia Number 182 of 1998, Supplement to State Gazette of the Republic of Indonesia Number 3790);
  2. Act Number 23 of 1999 concerning Bank Indonesia (State Gazette of the Republic of Indonesia Number 66 of 1999, Supplement to State Gazette of the Republic of Indonesia Number 3843) as amended by Act Number 3 of 2004 (State Gazette of the Republic of Indonesia Number 7 of 2004, Supplement to State Gazette of the Republic of Indonesia Number 4357);
  3. Bank Indonesia Regulation Number 8/3/PBI/2006 concerning Conversion of Business of Conventional Commercial Banks to Commercial Banks Conducting Business Based on Sharia Principles and Establishment of Bank Offices Conducting Business Based on Sharia Principles By Conventional Commercial Banks (State Gazette of the Republic of Indonesia Number 5 of 2006, Supplement to State Gazette of the Republic of Indonesia Number 4599).

HAS DECREED:

To Enact: AMENDMENT TO BANK INDONESIA REGULATION NUMBER 8/3/PBI/2006 CONCERNING CONVERSION OF BUSINESS OF CONVENTIONAL COMMERCIAL BANKS TO COMMERCIAL BANKS CONDUCTING BUSINESS BASED ON SHARIA PRINCIPLES AND ESTABLISHMENT OF BANK OFFICES CONDUCTING BUSINESS BASED ON SHARIA PRINCIPLES BY CONVENTIONAL COMMERCIAL BANKS.

Chapter I

A number of provisions in Bank Indonesia Regulation Number 8/3/PBI/2006 concerning Conversion of Business of Conventional Commercial Banks to Commercial Banks Conducting Business Based on Sharia Principles and Establishment of Bank Offices Conducting Business Based on Sharia Principles By Conventional Commercial Banks (State Gazette of the Republic of Indonesia Number 5 of 2006, Supplement to State Gazette of the Republic of Indonesia Number 4599) are amended as follows:

1. Provisions in Article 1 are amended to read as follows:

Article 1

1. "Bank" is a Commercial Bank, as defined in Article 1 number 3 of Act Number 7 of 1992 concerning Banking, as amended by Act Number 10

of 1998 conducting conventional business, including the branch office of a foreign bank.

2. “Business Based on Sharia Principles” is banking business conducted in accordance with Sharia Principles as referred to in Article 1 number 13 of Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998.
3. “Branch Office” is a Bank office directly responsible to the head office of the Bank concerned and which conducts business at a permanent address.
4. “Office Below Branch Office” is a Sub-Branch Office or Cash Unit whose operations assist its parent Branch Office.
5. “Sub-Branch Office” is an Office Below Branch Office whose business operations assist its supervising Branch Office.
6. “Cash Unit” is an Office Below Branch Office whose business operations assist its parent Branch Office except in channeling of funds.
7. “Sharia Division” is a division set up in the head office of a Bank, functioning as the head office of Sharia Branch Offices and/or Sharia Units.
8. “Sharia Branch Office” is a Bank Branch Office conducting Business based on Sharia Principles.
9. “Sharia Sub-Branch Office” is an Office Below Sharia Branch Office whose business operations assist its parent Sharia Branch Office.
10. “Office Below Sharia Branch Office” is a Sharia Sub-Branch Office or Sharia Cash Unit conducting Business Based on Sharia Principles to assist its parent Sharia Branch Office.
11. “Sharia Cash Unit” is an Office Below Sharia Branch Office whose business operations assist its parent office except in channeling of funds.

12. “Sharia Unit” is a special unit reporting to the Sharia Division whose operations consist of mobilizing of funds, channeling of funds, and provision of other banking services based on Sharia Principles at a Branch Office or Sub-Branch Office of the Bank for the purpose of preparation for conversion to Sharia Branch Office.
13. “Outdoor Cash Operations” are cash services based on Sharia Principles provided to parties who are customers of the Bank, including but not limited to:
- a. Mobile Cash Unit or Floating Cash Unit, namely an outdoor cash unit for providing service to customers by means of land/or water transportation;
  - b. Payment Point, namely payment of certain transactions, including but not limited to employee payrolls, electricity bills, and telephone bills through cooperation between the Bank and Bank customers;
  - c. Automated Teller Machine (ATM), namely a cash unit operated electronically for the convenience of customers, including but not limited to withdrawal or deposit of cash, or payment by bookkeeping transfer, and obtaining information on customer account balances or changes, and includes ATMs operated with the use of technology in cooperation with other banks.
14. “National Sharia Council” is a council established by the Indonesian Ulama Council, having the power and function of issuing fatwas concerning products, services, and business of banks conducting Business Based on Sharia Principles.
15. “Sharia Supervisory Board” is a board supervising the application of sharia principles in the business of a Bank.
16. “Board of Directors”:

- a. for a Bank incorporated as a Limited Liability Company is a board of directors as referred to in Article 1 number 4 of Act Number 1 of 1995 concerning Limited Liability Companies;
- b. for a Bank legally incorporated as a Regional Government Enterprise is a board of directors as referred to in Article 11 of Act Number 5 of 1962 concerning Regional Government Enterprises;
- c. for a Bank legally incorporated as a Cooperative is a management board as referred to in Article 29 of Act Number 25 of 1992 concerning Cooperatives.

17. “Board of Commissioners”:

- a. for a Bank legally incorporated as a Limited Liability Company is a board of commissioners as referred to in Article 1 number 5 of Act Number 1 of 1995 concerning Limited Liability Companies;
- b. for a Bank legally incorporated as a Regional Government Enterprise is a board of commissioners as referred to in Article 19 of Act Number 5 of 1962 concerning Regional Government Enterprises;
- c. for a Bank legally incorporated as a Cooperative is a supervisory board as referred to in Article 38 of Act Number 25 of 1992 concerning Cooperatives.

18. “Executive Officer” is any officer exerting influence on Bank policy and operations and/or is directly responsible to the Board of Directors, including but not limited to the manager of Branch Office or the same level with that position.

19. “Controlling Shareholder” is a legal entity and/or natural person and/or a business group that:

- a. owns shares in a company or Bank amounting to 25% (twenty-five percent) or more of total issued shares with voting rights;

- b. owns shares in a company or Bank amounting to less than 25% (twenty-five percent) of total shares issued with voting rights, but can be proven to exercise control of the company or Bank, whether directly or indirectly.
20. “Sharia Services” are the activities of funds mobilization, financing and other banking services based on sharia principles conducted at a Branch Office and/or at an Office Below Branch Office for and on behalf of a Sharia Branch Office at the same Bank.

2. Provisions in Article 38 are amended to read as follows:

Part Eight  
Sharia Services  
Article 38

- (1) Any plan for Sharia Services shall be disclosed in business plan of the Bank issued a letter of confirmation from Bank Indonesia.
- (2) Sharia Services may be opened:
  - a. In the same area with the parent Sharia Branch Office, in the same Bank Indonesia Regional Office working area, or the same provincial area ;
  - b. under a cooperative arrangement between the parent Sharia Branch Office and a Branch Office and/or Sub-Branch Office; and
  - c. using its own human resources of the Bank knowledgeable in sharia Bank products and operations.
  - d. with the support of an adequate information technology system; and

- e. with the support of an adequate control system from the parent Sharia Branch Office.
  - (3) Sharia Services are required to:
    - a. be recorded and bookkeeping separately from the Branch Office and/or Sub-Branch Office; and
    - b. use the applicable sharia banking financial accounting standards.
  - (4) The Sharia Services financial statement must be consolidated into the financial statement of the parent Sharia Branch Office on the same day.
  - (5) A Branch Office or Sub Branch Office where Sharia Services are located must display a sharia banking industry logo and/or the words Sharia Services in a clearly to see and read location to the public.
3. Between article 39 and Article 40 is inserted 1 (One) Article, namely Article 39A to read as follows :

#### Article 39A

##### Change of Address of Sharia Services

- (1) A change of address of Sharia Services within the same mayoralty (*kotamadya*) or regency (*kabupaten*) capital with the previous Sharia Services location must fulfill the following criteria:
  - a. the plan to change the address must be announced in the previous Sharia Services location at least 10 (ten) days before the date of the change of address; and
  - b. the implementation of the change of address of Sharia Services must be reported to Bank Indonesia at least 10 (ten) days after the date of the implementation of the change of address, accompanied by the reason for the change of address.



- (2) A change of address of Sharia Services other than that described in paragraph (1) must fulfill the following criteria:
- a. plan to change the address must be reported at least 30 (thirty) days before the implementation of the change of address;
  - b. must include the following:
    - 1) reason for the change of address;
    - 2) plan for settlement of claims/collections and liabilities of the Sharia Services.
  - c. implementation of the change of address of Sharia Services must be done at least 30 (thirty) days after the date of confirmation by Bank Indonesia;
  - d. implementation of the change of address of Sharia Services must be reported to Bank Indonesia at least 10 (ten) days after the date of implementation of the change of address;
  - e. change of address of Sharia Services must be announced in a local newspaper or in the previous Sharia Services location at least 10 (ten) days before the date of implementation of the change of address.

4. Provisions in Article 53 are amended to read as follows:

## CHAPTER V

### SANCTIONS

#### Article 53

- (1) Any Bank failing to comply with the provisions in Article 2, Article 4 paragraph (3), Article 7 paragraph (1), Article 8 paragraph (1), paragraph (4) and paragraph (5), Article 9, Article 10, Article 11, Article 12, Article 13 paragraph (3), Article 14, Article 15, Article 16, Article 17 paragraph (1), Article 20 paragraph (2), Article 22

paragraph (3), Article 23 paragraph (1) and paragraph (3), Article 24, Article 25, Article 27 paragraph (1), Article 28, Article 29 paragraph (2), Article 32, Article 34 paragraph (1), Article 35, Article 36 paragraph (1) and paragraph (2), Article 37, Article 38, Article 39 paragraph (1) and paragraph (2), Article 39A paragraph (2) letters a and c, Article 40, Article 41, Article 42, Article 43, Article 44, Article 45 paragraph (1) and paragraph (2), Article 47 paragraph (1), Article 48, Article 49, Article 50, Article 51, and Article 52 paragraph (2) shall be liable to administrative sanctions in accordance with Article 52 of Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998.

- (2) Any Bank failing to comply with the provisions in Article 7 paragraph (2), Article 22 paragraph (4), Article 27 paragraph (2), Article 29 paragraph (3), Article 34 paragraph (2), Article 36 paragraph (3), Article 39 paragraph (3), Article 46, and Article 47 paragraph (2) shall be liable to administrative sanctions in accordance with Article 52 of Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998 in the form of:
  - a. written warning and financial penalty of Rp 1,000,000.00 (one million rupiahs) per day of delay for each report and/or announcement;
  - b. written warning and financial penalty of Rp 30,000,000.00 (thirty million rupiahs) if the Bank fails to submit a report and/or announcement.
- (3) A Bank shall be declared not to have delivered a report and/or announcement as referred to in paragraph (2) letter b in the event that the Bank has not delivered the report in question within 30 (thirty) days of the deadline for delivery of the report and/or announcement.

- (4) Any party failing to comply with the provisions of Article 13 paragraph (2), Article 24 paragraph (1), and Article 32 paragraph (1) shall be liable to criminal penalties in accordance with Article 46 of Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998.

## Chapter II

All of the mentions of the term fund disbursements in Bank Indonesia Regulation No. 8/3/PBI/2006 concerning Conversion of Business of Conventional Commercial Banks to Commercial Banks Conducting Business Based on Sharia Principles and Establishment of Bank Offices Conducting Business Based on Sharia Principles By Conventional Commercial Banks, must be read financing.

## Chapter III

This Bank Indonesia Regulation shall come into force on the date of its enactment.

For the public to be informed, it is ordered that this Bank Indonesia Regulation be promulgated in the State of Gazette of the Republic of Indonesia.

Enacted in: Jakarta

Dated : May 4, 2007

THE GOVERNOR OF BANK INDONESIA,

BURHANUDDIN ABDULLAH

STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 70 OF  
2007

DPbS

ELUCIDATION  
TO  
BANK INDONESIA REGULATION  
NUMBER 9/7/PBI/2007  
  
CONCERNING  
  
AMENDMENT TO BANK INDONESIA REGULATION NUMBER  
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GENERAL REVIEW

In an effort to increase sharia bank transactions at conventional commercial banks conducting business based on sharia principles, it is necessary to adjust policy regulations governing sharia banking. The adjustment of policy regulation covers the expansion of sharia transaction services networks by optimizing existing Sharia Services through expansion of the functions of Sharia Services and flexibility regarding the criteria governing the locations where Sharia Services can be opened.

ARTICLE BY ARTICLE

Chapter I

Number 1

Article 1

Self-explanatory.

Number 2

Article 38

Paragraph (1)

Self-explanatory.

Paragraph (2)

Letter a.

Sample:

1. Bank A has a Sharia Branch Office in Bandung, so Bank A can open Sharia Services in Tasikmalaya, even though Tasikmalaya does not have a Sharia Branch Office, because Bandung and Tasikmalaya are located within 1 (one) area of the West Java province.

2. Bank B has a Sharia Branch Office in Manado (province of North Sulawesi), so Bank B can open Sharia Services in Gorontalo (province of Gorontalo), even though Bank B does not have a Sharia Branch Office in Gorontalo, because North Sulawesi and Gorontalo are located in 1 (one) Bank Indonesia Office work territory of Manado.

Letter b.

Self-explanatory.

Letter c.

Self-explanatory.

Letter d.

Self-explanatory.

Letter e.

Self-explanatory.

Paragraph (3)

Letter a.

Self-explanatory.

Letter b.

Self-explanatory.

Paragraph (4)

Self-explanatory.

Paragraph (5)

Self-explanatory.

Number 3

Article 39A

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Article 53

Paragraph (1)

Self-explanatory.

Paragraph (2)

Letter a.

The amount of the sanctions that must be paid are calculated based on the delay of reporting.

Letter b.

The amount of the sanctions that must be paid is calculated based on the fact that reports were not submitted.

In the event a Bank is subject to sanctions for not submitting reports, the Bank is not subject to sanctions due to the days of delay of submitting reports.

Paragraph (3)

The deadline for submitting reports is 30 (thirty) days, including a deadline for submitting corrections to reports.

Paragraph (4)



Self-explanatory.

## Chapter II

Self-explanatory.

## Chapter III

Self-explanatory.